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SIPDIS

SENSITIVE

STATE FOR AF/S  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIAMOND  
TREASURY FOR OREN WYCHE-SHAW  
PASS USTR FLORIZELLE LISER  
STATE PASS USAID FOR MARJORIE COPSON

E. O. 12958: N/A

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SUBJECT: Businessmen foresee recovery (somehow)

1. (U) Summary: Local businessmen assured a visiting congressional staffer that the Zimbabwean economy can regain past prowess. While despairing of the present economic climate, the businessmen's medium-term hopefulness stunned our visitor, a seasoned Zimbabwe-watcher. Although we share our interlocutors' faith in this economy's ultimate potential, we are less sanguine about a rapid rebound. End Summary.

2. (SBU) Malik Chaka, majority staffer for the Africa Subcommittee of the House International Relations Committee, met a plethora of movers-and-shakers during an August 19-26 visit to Zimbabwe. (A readout of political meetings will follow via septel.) On the economic side, Chaka sat down with former Finance Minister Simba Makoni, Finance PermSec Nick Ncube, Banker's Association President (and Standard Chartered CEO) Washington Matsaira, Stanbic CEO Pindi Nyandoro and a dozen reps of various U.S. businesses.

3. (SBU) Unsurprisingly, the executives were in broad agreement that the economy is in dire straits. Most consider President Mugabe incapable of improving business conditions, as reflected in yet another failure recently to normalize oil procurement and sales through multinational companies. However, they believe a successor government could restore the economy to late-1990 levels. A few salient details:

- They still consider Zimbabweans smarter, better-educated and harder-working than most Africans. Standard Chartered CEO Matsaira said the years he spent in Uganda convinced him of Zimbabweans' superior skills.

- Several interlocutors expressed horror at the National Railway's state, agreeing it is the most critical component in the economic infrastructure.

- The businessmen believe reformalizing rather than reproaching Zimbabwe's black/gray economy holds an important key to economic rebound.

- Most believe a recovery to 1997 levels will take 3-6 years.

- Some business reps feel that land redistribution may be reversible in part. Former Finance Minister Makoni, a potential president, insists a future GOZ could return up to 40 percent of white farmers to a portion of their land.

Comment

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4. (SBU) Many of these views strike us as extravagantly hopeful. We do not believe this economy can grow 67 percent in 3-6 years (to return to 1997 levels, assuming a 40 percent cumulative drop has taken place), even under the best of circumstances. Although it would no doubt help to reformalize economic activity that has gone underground, rebuilding the country's infrastructure (including the education and health systems) is a long-term endeavor. We are also skeptical that a future government could reactivate anywhere near 40 percent of white farmers. That said, we would love for eternally-optimistic Zimbabweans to prove us wrong.

Sullivan